

**Minutes of the
Cash Management Advisory Board
April 30, 2014
Via Telephone Conference Call**

Attendees:

William Desautelle, CMAB Member
J. Victor Thompson, CMAB Member
Lawrence Wilson, Assistant Treasurer, Cash Management
Michael Terry, Principal Investment Officer, STIF
Paul Coudert, Investment Officer, STIF
Marc Gagnon, Securities Analyst, STIF
Peter Gajowiak, Securities Analyst, STIF

Minutes:

Assistant Treasurer Lawrence Wilson called the meeting to order at 10:03 a.m., and asked if there were any comments regarding the minutes of the January 2014 Cash Management Advisory Board meeting. Without any objections, the minutes were approved.

Mr. Terry stated that one-year fixed rate securities are paying less than the STIF is currently earning, and, therefore, supporting STIF's current rate is becoming more of a challenge. However, according to Mr. Terry, STIF has been able to purchase some securities with the full faith and credit of the United States that pay as much as 39 basis points for one year fixed rate maturities. Mr. Desautelle asked why STIF would purchase securities out one year. Mr. Terry stated that STIF tries to find opportunities on the yield curve without compromising the safety or liquidity of the fund. Mr. Terry added that 3-month Libor had just reached an all-time low of 22 basis points and that the fund's weighted-average maturity was still quite low at 33 days.

Mr. Coudert reviewed the performance of STIF. Mr. Coudert stated that for the quarter ending March 31, 2014, STIF earned an average annualized yield of 16 basis points, outperforming our benchmark by 14 basis points. Mr. Coudert continued, saying that for the one year period ending March 31, 2014, STIF returned 13 basis points, outperforming our benchmark by 11 basis points. Mr. Coudert indicated that STIF's current yield was 14 basis points and that its weighted average maturity was 33 days. Mr. Coudert added that STIF currently is not contributing to its \$50.3 million reserves and has not contributed since December 1, 2013 due to the aggregate size of the fund. Mr. Coudert stated that assets are soon expected to grow, putting the fund into a reserve position for a very brief period.

Mr. Coudert discussed the current composition of STIF, indicating that STIF's one-day liquidity was approximately \$3.5 billion, or 66 percent of STIF assets, and that 68 percent

of the portfolio was invested in securities with some type of federal government support, such as U.S. Treasuries, agency securities, FDIC-insured securities, or repurchase agreements backed by such securities.

Mr. Coudert stated that the Extended Investment Portfolio (EIP) has assets of approximately \$350 million, consisting of \$100 million in deposits, \$200 million in money funds, and \$50 million in U.S. Treasuries. EIP, according to Mr. Coudert, is earning approximately 6 basis points. Mr. Wilson stated that by utilizing EIP, STIF's yield remained higher thereby benefiting the state as well as other investors.

Mr. Coudert reported that STIF Plus's current value is approximately \$2.8 million. Mr. Coudert said that the current NAV was 12.71, up from 11.78 at June 30, 2013. Mr. Thompson asked if it appeared as though the securities would eventually pay in full. Mr. Terry said that full payout is unlikely. Mr. Wilson added that by investing in STIF Plus and EIP, rather than just STIF, approximately \$13.1 million in additional income had been earned, well above any potential loss, making EIP and STIF Plus an advantageous investment strategy.

Mr. Wilson stated that the annual conference was held in March and was attended by a record number of nearly 200 participants. The program, according to Mr. Wilson, has grown to include pension fund and debt management issues. Mr. Wilson indicated that those in attendance included municipal investors, municipal members of the Municipal Employees Retirement System, representatives of various state agencies, as well as members of the private sector.

Mr. Desautelle stated that we are in a very interesting period because we do not seem to see many signs of runaway economic activity. Mr. Wilson stated that we can only work in the environment presented to us, and that although absolute rates are very low, we are outperforming other money funds. Mr. Thompson said that it is time to be patient and believes STIF is performing the best that it can. Mr. Desautelle stated that it is nice that STIF is fully reserved and the assets are safe but in the event of another shock it looks like STIF is in good shape.

With no further business, Mr. Wilson adjourned the meeting at 10:22 a.m.